

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF FINANCE
OF THE STATE OF IDAHO**

In the matter of:

PETROCK MINERAL HOLDINGS, LLC;
CHOICE ENERGY HOLDINGS – I, LLC;
PRMH LENDERS FUND, LLC;
PRMH LENDERS FUND II, LLC; and
PRMH LENDERS FUND III, LLC.

Docket No. 2020-7-05-A

**ORDER TO CEASE AND DESIST AND
NOTICE OF OPPORTUNITY FOR A
HEARING**

The Director of the Idaho Department of Finance ("Director"), being authorized and directed to administer and enforce the Idaho Uniform Securities Act (2004) ("Act"), Idaho Code § 30-14-101 et seq., has conducted an investigation and the Director alleges the following facts that constitute a basis for the issuance of an ORDER TO CEASE AND DESIST ("Order") pursuant to Idaho Code § 30-14-604(a)(1) requiring PetroRock Mineral Holdings, LLC, Choice Energy Holdings – I, LLC, PRMH Lenders Fund, LLC, PRMH Lenders Fund II, LLC, and PRMH Lenders Fund III, LLC (collectively "Respondents") to cease and desist from violating the Act by failing to file a registration statement with the Department, selling securities through agents who were not registered to sell securities, and omitting material facts, in connection with the offer, sale, or purchase of securities to Idaho residents. This Order is effective upon the date of issuance.

RESPONDENTS

1. **PetroRock Mineral Holdings, LLC** ("PetroRock") was registered in Texas in March 2014 and was originally owned by Home Bound Financial Group, LP (99%) and HomeBound, Inc. (1%). Pursuant to an amendment in 2015, PetroRock's sole member and manager was designated as Home Bound Financial Group, LP ("HBFG"). Beginning in 2018, PetroRock was owned by HBFG (95%) and Constantine Capital, LLC (5%) until 2022 when the Dallas County District Court filed for PetroRock to be wound down by a third party. PetroRock is the parent company of (collectively "financial subsidiaries"):
 - a. Choice Energy Holdings – I, LLC;
 - b. PRMH Lenders Fund, LLC;
 - c. PRMH Lenders Fund II, LLC; and

- d. PRMH Lenders Fund III, LLC.
2. **Choice Energy Holdings – I, LLC** (“Choice I”) was registered in Nevada in November 2017 and is wholly owned by PetroRock and managed by Resolute Capital Partners, Ltd. Choice I’s addresses include 1303 W. Walnut Hill Lane, Suite 303, Irving, Texas and 5605 North MacArthur Boulevard, Suite 1003, Irving, Texas.
 3. **PRMH Lenders Fund, LLC** (“PRMH Fund I”), **PRMH Lenders Fund II, LLC** (“PRMH Fund II”), and **PRMH Lenders Fund III, LLC** (“PRMH Fund III) (collectively “PRMH Funds”) were registered in Delaware in March 2017 and are wholly owned by PetroRock and managed by Resolute Capital Partners, Ltd. The PRMH Funds’ last known address is 1303 W. Walnut Hill Lane, Suites 303 and 305, Irving, Texas.
 4. None of the aforementioned companies have ever been registered as an investment adviser firm nor as a broker-dealer firm.

FINDINGS OF FACT

ISSUANCE OF SECURITIES

5. PetroRock acquires undeveloped mineral assets including oil and gas leases, mineral rights, royalties, and working interests for the stated purposes of proving up oil and gas reserves, aggregation of such assets, and sales of working interests in wells.
6. PetroRock acquires funds through: (1) issuing promissory notes for their Land Bank Project; (2) forming financial subsidiaries whose purpose is to raise funds from investors and make loans to PetroRock; and (3) receiving loans from other affiliated companies. These wholly owned financial subsidiaries include, but are not limited to, Choice I and the PRMH Funds.
7. PetroRock’s offering documents for Choice I and the PRMH Funds claim that the investment is not a security and has not been registered with the SEC, but further states that the company is relying on exemptions from registration under the Act.

ISSUANCE OF SECURITIES BY PETROROCK

8. PetroRock's Land Bank Project was formed for the purpose of owning, managing, and selling an oil and gas land bank.
9. In exchange for their funds, investors received a 12-month promissory note at 8.5% – 12% interest. The promissory notes state that investor funds would be used for the acquisition of oil and gas leases and related activities of oil and gas exploration and production.
10. In November 2015, PetroRock, through its agent LL¹, issued and sold Idaho investor JH a promissory note. In exchange for the promissory note, JH provided PetroRock with investment funds of \$100,000 for the Land Bank project. To date, JH remains an investor for a total of \$100,000.
11. The promissory notes issued by PetroRock raising funds for the Land Bank Project are securities under the Act. The Act defines "Security" to include: a note; stock; treasury stock; security future; bond; debenture; evidence of indebtedness; certificate of interest or participation in a profit-sharing agreement; collateral trust certificate; preorganization certificate or subscription; transferable share; investment contract; voting trust certificate; certificate of deposit for a security; fractional undivided interest in oil, gas or other mineral rights; ...Idaho Code § 30-14-102(28).
12. PetroRock did not register its securities under federal law, but it has claimed an exemption from registration under section 4(a)(2) of the Securities Act of 1933, i.e., a private placement not involving a public offering.
13. PetroRock did not register the security with the Department nor claim an exemption under the Act.

ISSUANCE OF SECURITIES BY CHOICE ENERGY HOLDINGS-1, LLC

14. Choice I was formed for the purpose of financing the business and investment operations of PetroRock including through the making loans to PetroRock, using funds raised from investors

¹ In the interest of privacy, initials are used for investors/victims, rather than full names.

through the sale of promissory notes issued by Choice I. Choice I advertised to its investors that their funds were used as secured business loans.

15. In exchange for their investment funds, investors received a 9-month promissory note at 7.5% – 9%, interest issued by Choice. The promissory notes promised to repay investors their principal investment, plus any outstanding interest, 25-days after the maturity of the promissory note. The promissory notes further stated that investor funds would be used to fund a loan to PetroRock and used by PetroRock to fund its business operations and investments in its oil and gas interests.
16. Choice I, through its agent DPO, solicited and sold the Choice I securities to one Idaho resident, RA. DPO has been registered to provide investment advice since 2009 but has not been registered to sell securities since 2001. DPO’s investment advisor firm is a registered investment adviser firm, but has never been registered as a broker-dealer firm.
17. Choice I, through its agent JJW, solicited and sold the Choice I securities to one Idaho resident, JR. JJW has been registered to provide investment advice since 2018 but has never been registered to sell securities.
18. JJW’s sale of the Choice I security to JR was made through AAI. AAI was an independent financial services firm offering a variety of alternative financial and insurance products. AAI was licensed as an insurance company but has never been registered as an investment adviser firm or a broker-dealer firm.
19. Choice I, through DPO, JJW, and AAI, issued and sold RA and JR various promissory notes that were issued from April 2018 through August 2019. RA and JR provided Choice I with investment funds totaling \$152,883.85. To date, one Idaho resident remains an investor for a total of \$52,883.85.
20. The promissory notes issued by Choice I are securities under the Act.
21. Choice I did not register its securities under federal law, but it has claimed an exemption from registration under section 4(a)(2) of the Securities Act of 1933, i.e., a private placement not involving a public offering.

ISSUANCE OF SECURITIES BY PRMH LENDERS FUND, LLC

22. The PRMH Funds were formed for the purpose of making loans to PetroRock and the securities were advertised as a direct loan with a secured first lien promissory note on specific assets held and/or to be acquired by the specific PRMH Fund. The secured assets are estimated to be 50%, or less, of the loan to value.
23. In exchange for their investment funds, investors would receive a 9–24-month promissory note at 7.5% – 9% interest, issued by the specific PRMH Fund. Investors would be repaid their principal investment, plus any outstanding interest, 25-days after the maturity of the promissory note and after the investor submits a written notice to the applicable PRMH Fund. The note otherwise contained a provision wherein the period of the note was renewed ninety (90) days from maturity without additional action or agreement required by either party. otherwise, the investment would automatically renew.
24. PRMH Fund I, through JJW and AAI, solicited and sold to Idaho investor JR a promissory note in June 2017. JR provided PRMH Fund I with investment funds totaling \$50,000. To date, all investor funds have been returned to the investor.
25. PRMH Fund II, through its agent JAW, solicited and sold the PRMH Fund II securities to one Idaho resident, AL. JAW is licensed to sell insurance by the States of Idaho and Utah but has never been registered to provide investment advice or sell securities.
26. PRMH Fund II, through its agent KMN, solicited and sold the PRMH Fund II securities to one Idaho resident, MW. KMN is licensed to sell insurance by the States of Idaho and Utah but has never been registered to provide investment advice or sell securities.
27. PRMH Fund III, through its agent TBB, solicited and sold the PRMH Fund II securities to one Idaho resident, MZ. TBB has been registered to provide investment advice since 2002 but has not been registered to sell securities since 2010. TBB's investment advisor firm is a registered investment adviser firm, but has never been registered as a broker-dealer firm.
28. JAW, KMN, and TBB's sales were made through AAI.

29. PRMH Fund II, through JAW, KMN, TBB, and AAI, issued and sold the promissory notes to AL, MW, and MZ from August 2017 through September 2017. AL, MW, and MZ, provided PRMH Fund II with investment funds totaling \$522,000. To date, all investor funds have been returned to the investors.
30. PRMH Fund III, through DPO, KMN, JAW, AAI, issued and sold the promissory notes to Idaho residents RA (by DPO), KS (by KMN), and DA (JAW) from November 2017 through November 2018. RA, KS, and DA provided PRMH Fund III with investment funds totaling \$653,000. To date, one Idaho resident, DA, remains an investor for a total of \$250,000
31. The promissory notes issued by the PRMH Funds are securities under the Act.
32. PRMH Funds I and II filed a Rule 506(b) Regulation D with the SEC in July 2017 and PRMH Fund III filed in February 2018 claiming an exemption from registration under the Securities Act of 1933.
33. PRMH Funds II and III both provided a late notice filing of the exemption to the Department in May 2018, however PRMH Fund I did not file a notice filing of the exemption with the Department.

CONCLUSIONS OF LAW

FAILURE TO FILE A REGISTRATION STATEMENT

(Violation of Idaho Code § 30-14-301)

34. Idaho Code § 30-14-102(28) defines a “security,” in pertinent part, as a note or investment contract.
35. The promissory notes issued by PetroRock and PRMH Fund I’s, constitute securities within the meaning of Idaho Code § 30-14-102(28).
36. Idaho Code § 30-14-301 provides that “It is unlawful for a person to offer or sell a security in this state unless: (a) The security is a federal covered security; (b) The security, transaction or offer is exempted from registration under sections 30-14-201 through 30-14-203, Idaho Code; or (c) The security is registered under this chapter.”

37. Respondents offer and sale of securities issued by PetroRock and PRMH Fund I to Idaho residents, without properly registering such securities in Idaho, constitutes a violation of Idaho Code § 30-14-301.

OFFER AND SALE OF SECURITIES BY UNREGISTERED AGENTS

(Violation of Idaho Code § 30-14-402)

38. Idaho Code § 30-14-102(2) defines an "agent" as an individual, other than a broker-dealer, who represents a broker-dealer in effecting or attempting to effect purchases or sales of securities or who represents an issuer in effecting or attempting to effect purchases or sales of the issuer's securities.
39. TBB, LLL, KMN, DPO, JAW, and JJW as agents (collectively "issuer agents") who sold the promissory notes issued by the Respondents, constitute agents within the meaning of Idaho Code § 30-14-102(2).
40. Idaho Code § 30-14-402(d) provides that it is unlawful for an issuer engaged in offering, selling, or purchasing securities in this state, to employ or associate with an agent who transacts business in this state on behalf of broker-dealers or issuers unless the agent is registered under subsection (a) of this section or is exempt from registration under subsection (b) of this section.
41. The issuer agents, which offered and sold the Respondents securities to Idaho residents, were not registered to sell securities, nor did they qualify for a registration exemption at the time the securities were sold.
42. Respondents employed or associated with and utilized unregistered issuer agents to offer and sell the Respondents securities, in violation of § 30-14-402(d).

FRAUD

(Violation of Idaho Code § 30-14-501)

43. Pursuant to Idaho Code § 30-14-501, it is unlawful for any person, in connection with the offer, sale, or purchase of a security, directly or indirectly: (2) To make an untrue statement of material

fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

44. Respondents failed to disclose that the issuer agents selling securities offered by the Respondents, were not registered as required under the Act. Respondents' omission concerning the registration status of the securities and sales agents constitutes an omission of a material fact in connection with the sale of a security, in violation of Idaho Code § 30-14-501(2).
45. Idaho Code § 30-14-604(a)(1) provides that if the Director determines that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of the Act, the Director may issue an order directing the person to cease and desist from engaging in the act, practice, or course of business or to take other action necessary or appropriate to comply with the Act. Pursuant to Idaho Code § 30-14-604(b), such Order is effective on the date of issuance and will become final by operation of law if no hearing is requested within the time period stated in Idaho Code § 30-14-604(b). Idaho Code § 30-14-604(g) provides that noncompliance with this Order, and any final order, can be enforced through civil contempt proceedings.
46. Idaho Code § 30-14-604(d) provides that the Director may impose a civil penalty not to exceed five thousand dollars (\$5,000) for each violation in a final order issued.
47. Idaho Code § 30-14-604(b) provides that this summary Order must state whether the Director will seek a civil penalty (the amount is stated below) and then that civil penalty and this entire Order will become a final order "as a matter of law" if no hearing is timely requested.
48. Respondents are on notice that the Department also seeks the entry of a civil penalty in the amount of \$5,000.

CEASE AND DESIST ORDER

The Director, having reviewed the foregoing, and good cause appearing therefor, hereby finds the Respondents have violated the Idaho Uniform Securities Act (2004), Idaho Code § 30-14-101 et seq., as alleged above.

Now, therefore, it is hereby ordered that Respondents shall CEASE AND DESIST from violations of the Idaho Uniform Securities Act (2004), and rules promulgated thereunder, to include: selling securities which were not registered with the Idaho Department of Finance; associating with unregistered agents in the selling of securities; and engaging in securities fraud (by failing to disclose material facts in connection with the offer or sale of securities to Idaho residents).

Respondents are ordered to jointly pay a civil penalty of \$5,000, pursuant to Idaho Code § 30-14-604(d). The entry of the civil penalty will become effective in 30 days if the Respondents do not request a hearing.

This Order is in the public interest, issued for the protection of investors, and consistent with the purposes of the Act.

THIS ORDER IS EFFECTIVE UPON ITS ISSUANCE.

IT IS SO ORDERED

DATED this 10th day of February, 2023.



STATE OF IDAHO
DEPARTMENT OF FINANCE

PATRICIA R. PERKINS, Director

NOTICE AND OPPORTUNITY FOR A HEARING

The Respondents shall take notice that if the Respondents wish to contest the foregoing Order to Cease and Desist and Notice of the Opportunity for a Hearing (“Order”), the Respondents shall file a request for hearing pursuant to Idaho Code § 30-14-604(b) within thirty (30) days after the service of this Order. If the Respondents do not timely request a hearing and none is ordered by the Director within that time period, the Order, which may include a civil penalty or costs of the investigation, becomes final as to the Respondents by operation of law. If a hearing is timely requested or ordered, the Director, after notice of and opportunity for a hearing, may modify or vacate the Order or extend it until final determination.

A request for a hearing must be made in writing and addressed to:

John Yaros
Securities Bureau Chief
Idaho Department of Finance
P.O. Box 83720
Boise, Idaho 83720-0031

A copy of such request must also be served upon the Department's counsel, Loren Messerly, Deputy Attorney General, at the same address.

If a hearing is requested or ordered pursuant to Idaho Code § 30-14-604(b), a hearing will be set within fifteen (15) days after receipt of a timely written request, and such hearing will be conducted pursuant to Chapter 52, Title 67, Idaho Code. The Director will refer the matter to the Office of Administrative Hearings for these administrative proceedings. A final order may not be issued unless the Director makes findings of fact and conclusions of law in a record pursuant to Chapter 52, Title 67, Idaho Code. The final order may make final, vacate, or modify the Order.

If the Respondent requires any assistance of the kind the Department provides under the Americans with Disabilities Act (e.g. sign language interpreters, Braille copies of documents) in order to participate in or understand these proceedings, the Department will supply such reasonable assistance upon an advance request.

Should this order become a final order, by operation of law or otherwise, then any party may file a motion for reconsideration of this final order within fourteen (14) days of the service date of this order.

The agency will dispose of the petition for reconsideration within twenty-one (21) days of its receipt, or the petition will be considered denied by operation of law. See Section 67-5246(4), Idaho Code.

Should this order become a final order, by operation of law or otherwise, then pursuant to Sections 67-5270 and 67-5272, Idaho Code, any party aggrieved by this final order or orders previously issued in this case may appeal this final order and all previously issued orders in this case to district court by filing a petition in the district court of the county in which a hearing was held, the final agency action was taken, the party seeking review of the order resides, or operates its principal place of business in Idaho, or the real property or personal property that was the subject of the agency action is located. An appeal must be filed within twenty-eight (28) days (a) of the service date of this final order, (b) of an order denying petition for reconsideration, or (c) the failure within twenty-one (21) days to grant or deny a petition for reconsideration, whichever is later. See Section 67-5273, Idaho Code. The filing of an appeal to district court does not itself stay the effectiveness or enforcement of the order under appeal.

CERTIFICATE OF SERVICE

I hereby certify that on the 10th day of February , 2023, I caused to be served an accurate copy of the foregoing ORDER TO CEASE AND DESIST AND NOTICE OF OPPORTUNITY FOR A HEARING upon all parties of record in the proceeding to the following, in the manner indicated below:

Miriam G. Bahcall
Greenberg Traurig, LLP
77 W. Wacker Dr., Suite 3100
Chicago, IL 60601

[] U.S. mail, postage prepaid
[] certified mail
[] fax:
[X] email: bahcallm@gtlaw.com

/s/ Kristen Butler

Kristen Butler
Investigator